

The complaint

Mr S complains about Clydesdale Financial Services Limited ('CF') defaulting his loan accounts.

What happened

The parties are familiar with the background details of this complaint – so I will briefly summarise them here. It reflects my role resolving disputes with minimum formality.

Around 2022 Mr S took out fixed sum loan agreements from CF in respect of the supply of a kitchen. However, after a period of arrears caused by financial difficulties CF defaulted the agreements in March 2024.

Mr S says that the defaults were registered unfairly. In summary, he says that:

- He has been advised that creditors normally only serve a default notice after six months of missed or underpayments; and
- CF was not clear with him about its process – and he found its communications unclear and contradictory.

Mr S complained to CF requesting that it cancel the registration of the defaults. It did not agree to this – and considered it had acted fairly.

Our investigator agreed that CF had acted fairly so Mr S asked for an ombudsman to look at things again for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time. This includes guidance from the Information Commissioner's Office ('ICO') in respect of the principles for the reporting of arrears, arrangements and defaults at credit reference agencies.

On the face of it was it reasonable for CF to register defaults?

The ICO explains the recording of a default is reflective of the relationship between the lender and the borrower having to some extent broken down and might occur when the borrower falls into arrears. The ICO also says that information on credit files should be accurate (in essence these should fairly reflect the account status at the time).

I know Mr S has indicated a default should only have been registered by CF after 6 months of missed or underpayments. But there is no prescriptive rule on when a default should be registered. The ICO explains that as a general guide this may occur from when a borrower is 3 months in arrears and normally by the time they are 6 months in arrears.

Here I note Mr S was 3 months in arrears on both loans when the default notices were served on him by CF in early February 2024. So not outside the timeframe that it is expected a default might reasonably occur.

I note prior to the default notice being served on him Mr S had spoken to CF on the phone in December 2023 about being in 'tremendous' financial difficulty primarily due to the cost of his mortgage increasing. In that call it was agreed CF would put a payment 'hold' status on the account where he was not expected to make contractual payments, and that it would not get in touch with Mr S by phone during that period according to his preference. A payment arrangement was not discussed at the time as Mr S was not clear about his financial position until he had worked through an arrangement with his mortgage provider. So not going forward with an immediate payment arrangement does not appear to be an unreasonable position for CF to have taken at the time.

I also note during this call CF told Mr S he must get in touch with it before 1 February 2024 to discuss his financial position and come to a payment arrangement as after that point a default notice would go out and by getting in touch and coming to an acceptable payment arrangement he may be able to avoid that.

It appears Mr S did not get back in touch with CF by this stage – so the default notices were served. I don't think Mr S has disputed receiving these (and I can't see why they wouldn't have been in any case). These were clear about what Mr S needed to do to avoid the defaults. Furthermore, other correspondence from CF asked Mr S to get in touch to discuss his situation and provided him with a contact number to do so.

However, it appears that because Mr S did not get in touch with CF at the time or make the required payments by the 6 March 2024 default deadline, CF defaulted the accounts.

It appears Mr S had gone on a prolonged period without paying his contractual payments or arranging a plan. He was clearly in a lot of difficulty from the conversation he had with CF, and there didn't at the time appear to be a reasonable prospect of him getting back on track with his CF loans. CF also provided him clear information about its intention to default him, and how he could avoid this. However, Mr S did not take the required action to avoid default or get in touch with CF to discuss it. Prima facie, in the circumstances CF was not acting unreasonably in considering default to be an accurate reflection of the account status at that point.

Is there some other reason why registering defaults would be unfair?

I have considered the other things Mr S has said about why it would be unfair for CF to register a default. I note he has focused on what he says was conflicting information from CF which made him unsure about his position.

Generally, I think CF was clear with Mr S about the consequences of non-payment and provided him with sufficient information about it. I know he says it made no attempt to call him before sending the default notice but Mr S had previously requested for it to contact him in writing about this situation (which it did).

I note Mr S has pointed out that CF wrote to him to say 'we recently put your account on hold to give you time to review your situation' despite having already served him a default

notice. I can see how this, in the absence of other information, has the potential to lead someone into thinking that no further action will be taken in respect of adverse markers or defaults. However, in the circumstances here I don't think that is a reason for saying CF should remove the defaults because:

- CF was clear with Mr S on the phone that the account being on a 'hold' status did not impact potential adverse credit reporting;
- the correspondence about the hold is also clear that CF may still send a default notice and default the account (if said notice is not complied with) regardless; and
- the correspondence about the hold status requests Mr S to get in touch to discuss the situation – something I can't see that he did at the time.

So I don't think Mr S can fairly say CF misled him here or didn't give him an opportunity to realise he had to act in respect of the default notice. For completeness, I also note that some of the correspondence Mr S has said was misleading was sent to him after the default deadline had passed – so would not have impacted his ability to avoid the default here in any case.

Mr S says the correspondence regarding the hold said CF 'may' send a default notice – but I don't think that means it can't in certain circumstances. And as I have indicated above, the circumstances here were not unreasonable to do this.

Mr S says CF reported the default the day before the deadline for payment of the arrears meaning that even if the arrears had been cleared it would have been too late to avoid the default. I think had Mr S cleared the arrears before the deadline and CF already registered a default this would likely have been unfair. But that hasn't occurred here. So I don't see how it is material to whether the default should have been registered – and if the default has been registered a day early this has not caused detriment in any event.

For completeness, even if I were to agree with Mr S that the information CF sent him about the hold status unfairly led him to think he wasn't required to make a payment I don't think that would likely change things here in any event. I say this because (despite managing to get back on track a few months later) Mr S has not persuasively shown that he was in position to make full payment prior to the default deadline at the start of March 2024.

Mr S has mentioned CF did not correspond with him in January 2024 and this caused him detriment. From what I have seen it did write to him about the arrears in January 2024. However, in any event, the other correspondence he received and the information CF told him on the phone would mean that my findings would not change here in any case.

I am sorry to hear about the difficult time Mr S has faced and how it has impacted him. I know my decision will likely come as a disappointment, but I don't consider it fair to direct CF to remove the defaults in the particular circumstances.

I remind Mr S my role is an informal one – so he is free to reject my decision and consider any potential action he may wish to take via more formal means (such as court).

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 November 2025.

Mark Lancod
Ombudsman